

Understanding LGPS Contributions and Pension Benefits

The Local Government Pension Scheme (LGPS) is a defined benefit pension scheme. This means your pension is based on your salary and the number of years you've been a member of the scheme, not on how much you or your employer contribute.

How Contributions Work in the LGPS

- Both you and your employer pay contributions into the LGPS
- Your contributions are based on your salary, ranging from 5.5% to 12.5% of your pensionable pay.
- Your employer pays a larger share, typically covering around two-thirds of the scheme's costs.



What Happens to the Contributions?

- Contributions are pooled into the Dorset County Pension Fund, which is invested to help pay for all members' pensions.
- The amount you and your employer contribute helps keep the scheme running but does not directly affect the pension you will receive.

How Your Pension is Calculated

- Your pension is calculated using a formula based on your salary and years of membership in the scheme.
- Every year you pay into the LGPS, you earn an amount which is added to your pension account, and then becomes payable yearly when you retire and take your pension.
- The current rate of pension build up is 1/49th of your pensionable pay - this means your annual pensionable pay is divided by 49, and this amount is added to your eventual yearly pension.
- It is also revalued in line with the cost of living (based on the Consumer Prices Index (CPI))

Example

Let's say you joined the LGPS on 1 April 2025, and your pensionable pay for the first year is **£24,500**.

- **Pension Earned in Year 1:** $£24,500 \div 49 = £500$
- **Revaluation (Assume CPI is 1.2%):** $£500 \times 1.012 = £506$

In the second year, your pay increases by 1% to **£24,745**:

- **Pension Earned in Year 2:** $£24,745 \div 49 = £505$
- **Total Pension at End of Year 2 (with revaluation):** $£506 \text{ (Year 1)} + £505 \text{ (Year 2)} = £1,011$
- **Revaluation (Assume CPI is 1.3%):** $£1,011 \times 1.013 = £1,024.14$

This continues throughout your career, each year you earn an amount based on income, which is combined with your previous amounts earned, and revalued in line with the cost of living

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Published March 2025